

## Message Text

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ACTION EUR-12

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FM AMCONSUL MILAN

TO SECSTATE WASHDC 4244

AMEMBASSY ROME

C O N F I D E N T I A L MILAN 1722

E.O. 11652: GDS

TAGS: PFOR, PINR, IT

SUBJECT: VIEWS OF LEOPOLDO PIRELLI ON ITALIAN POLITICAL AND  
ECONOMIC SIUTATION. MEMCON LEOPOLDO PIRELLI, HEAD OF PIRELLI  
COMPANY, MILAN AND CONGEN, SEPT 19, 1975.

1. PIRELLI, WHO IS CLOSE TO GIANNI AGNELLI, IN OUTLOOK AND INTEREST,  
SEES CONTINUING SLOW DETERRORATION ITALIAN ECONOMY REMAINDER 1975.  
REACHING BOTTOM DURING 1ST QUARTER 1976 AND BEGINNING RECOVER  
SECOND HALF 1976 IF US AND JAPANESE ECONOMIES HAVE TURNED AROUND.  
WHILE PIRELLI HOLDING COMPANY CONTROLLING FOREIGN SUBSIDIARES DID  
WELL LAST YEAR, ITALIAN COMPANY LOST MONEY AND WILL LOSE MORE  
THIS YEAR. PRIMARY LOSING SECTOR IS AUTO RELATED WHICH ACCOUNTS  
FOR ABOUT HALF OF ITALIAN BUSINESS.

2. TO MEET THESE LOSSES, PIRELLI IS ASKING LAYOFF 1500 WORKERS  
IN LINES THAT HAVE NO FUTURE. ALTHOUGH NEW EMPLOYMENT INSURANCE  
LAW PROVIDES BENEFITS EVEN THOUGH EMPLOYEE'S HAS BEEN FIRED  
(A MAJOR AND IMPORTANT STRUCTURAL INNOVATION IN ITALY) BOTH  
UNIONS AND MIN OFINDUSTRY DONAT CATTIN ARE DEAD SET AGAINST  
PROPOSED REDUCTION IN FORCE.

3. PIRELLI SAID THAT HE WAS NEVERTHELESS DECIDED LAY OFF SURPLUS  
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LABOR FORCE SINCE IT WAS MATTER OF SURVIVAL OF VIABLE BUSINESS

4. HE AND AGNELLI HAD BEEN EXPOSED IN LAST FEW DAYS TO VIEWS OF OTHERSMALLER ENTREPRENEURS IN CONFINDUSTRIA WHOM HE CALLED EVEN MORE HARD NOSED. THESE WANT NO SALARY OR FRINGE BENEFITS TO BE GRANTED IN AUTUMN ROUND OF COLLECTIVE BARGAINING. THIS, SAID PIRELLI, WHOLLY UNREALISTIC SINCE TRADE UNION LEADERSHIP MUST BE ABLE TO TAKE BACK SOME BACON OR RANK AND FILE WILL REVOLT.

5. APPARENTLY, TOO, AGNELLI AND PIRELLI UNDER PRESSURE FROM CONFINDUSTRIA MEMBERS TO BE MORE ACTIVE POLITICALLY. THIS, SAID PIRELLI, THEY ARE RELUCTANT TO BE. THEY DO NOT BELIEVE INDUSTRY SHOULD TRY TO RUN GOVERNMENT.

6. AS FAR AS HE AND AGNELLI WERE CONCERNED, THEY HOPED THAT SOCIALISTS WOULD PULL THEMSELVES TOGETHER AND BECOME A CREDIBLE ALTERNATIVE TO THE COMMUNISTS. THEY WERE ALSO HOPEFUL THAT THE CHRISTIAN DEMOCRATS WOULD RECOVER. SHOULD THE SOCIALISTS TAKE A CONVINCING POSITION, HE AND AGNELLI WOULD BE READY WITH "TECHNICAL" ASSISTANCE.

7. ON THE WHOLE, HE SAW SOME PROGRESS IN THE SOCIALISTS AND CHRISTIAN DEMOCRATS HEALING THEIR WOUNDS. UNFORTUNATELY, THE REPUBLICANS WHATEVER THEIR MERITS, HAD NO FUTURE WHILE THE SOCIAL DEMOCRATS AND LIBERALS WERE ABOUT WASHED UP.

8. PIRELLI WAS FULLY AWARE OF THE CREATION OF THE MONDADORI-CARRACIOLD

PAPER REPUBBLICA WHICH HE WARMLY WELCOMED. (SEE MILAN 1713) HE WAS CONTRIBUTING NO MONEY. BUT HE KNEW SCALFARI, THE DIRECTOR, VERY WELL AND THEY HAD A CLOSE EXCHANGE OF VIEWS. HE HAD TOLD SCALFARI THAT HE COULD COUNT ON HIS SUPPORT (MORAL) IF REPUBBLICA SUPPORTED THE SOCIALISTS, OPPOSED THE COMMUNISTS AND LET UP SOMEWHAT ON THE DC. PIRELLI SAID THAT THE CHRISTIAN DEMOCRATS HAD BEEN ATTACKED ENOUGH ALTHOUGH LITTLE MORE THAN THEY DESERVED. BUT THIS WAS NO TIME TO WEAKEN THEM FURTHER.

9. I SUGGESTED THAT WHILE SCALFARI WAS EASING UP, HE MIGHT DO SO AS FAR AS THE US WAS CONCERNED TOO. THE WEEKLY BATTERING THAT THE US TOOK IN ESPRESSO AND PANORAMA (MONDADORI) DID NOTHING TO IMPROVE PUBLIC SUPPORT FOR NATO OR THE US WHICH WERE STILL THE CONFIDENTIAL

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ONLY GUARANTEES OF A PROSPEROUS WORLD ECONOMY AND FREEDOM FROM SOVIET INTERFERENCE WHICH WERE ESSENTIAL TO ITALIAN DEMOCRACY.

10. PIRELLI SAID THAT HE FULLY AGREED THAT THE US SHOULD NOT BE ATTACKED AND WAS AWARE OF SOME INSTANCES IN ESPRESSO. HE WOULD FIND AN OCCASION TO MAKE THE POINT TO SCALFARI.

11. MEANWHILE, HE AND AGNELLI WERE HEADED TO CHINA TO TRY TO DRUM

UP SOME BUSINESS FOR ITALY WHICH HAD LAGGED BEHIND OTHERS IN  
DEVELOPING THAT MARKET.FINA

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